

SEVENTEENTH  
ANNUAL  
REPORT  
1971



## CORPORATE INFORMATION

### HEAD OFFICE

300 - 9th Avenue S.W.  
Calgary, Alberta

### FIELD OFFICES

Post Office Box 330  
Drayton Valley, Alberta  
Post Office Box 579  
Redcliff, Alberta

### TRANSFER AGENT AND REGISTRAR

Montreal Trust Company  
Calgary, Alberta

### BANKERS

The Royal Bank of Canada  
Calgary, Alberta

### SOLICITORS

Saucier, Jones, Peacock, Black,  
Gain, Stratton & Laycraft  
Calgary, Alberta

### AUDITORS

Peat, Marwick, Mitchell &  
Company  
Calgary, Alberta

## DIRECTORS

E. W. COSTELLO

*Calgary, Alberta*

W. G. GRAY

*Calgary, Alberta*

F. P. MANNIX

*Calgary, Alberta*

J. A. McDONALD

*Calgary, Alberta*

B. L. MONTGOMERY

*Calgary, Alberta*

A. D. NESBITT

*Montreal, Quebec*

R. J. WHITE

*Calgary, Alberta*

## OFFICERS AND KEY PERSONNEL

E. W. COSTELLO

*Chairman of the Board*

R. J. WHITE

*President and General Manager*

G. E. THOMPSON

*Controller & Ass't Secretary*

A. V. COMEAU

*Secretary*

J. T. WOOD

*Treasurer*

W. G. GRAY

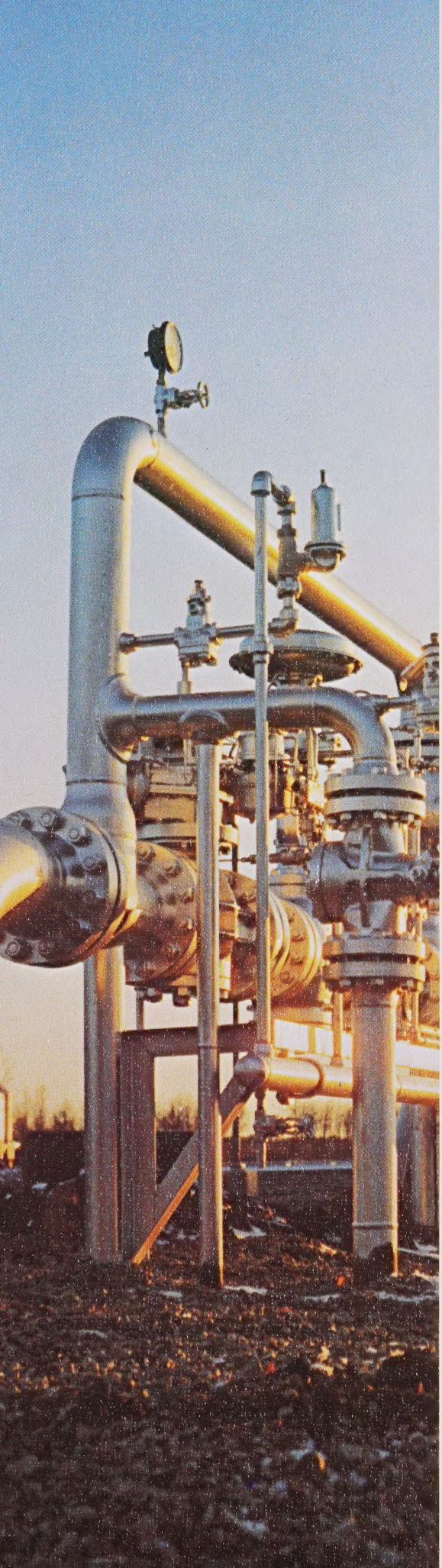
*Assistant Secretary*

T. PARKS

*Manager Oil & Gas Dept.*

G. E. BROWN

*Manager Pipe Line Dept.*



## FINANCIAL AND OPERATING HIGHLIGHTS

	Twelve Month Period ending December 31		Change %
	1971 Restated	1970 Restated	
<b>FINANCIAL</b> (unaudited)			
Gross Revenue . . . .	13,702,936	12,208,434	+ 12.2
Net Funds from Operations . . . .	7,825,291	7,528,834	+ 3.9
per share . . . .	90.9¢	87.2¢	+ 4.2
Net Income . . . .	3,252,273	3,209,961	+ 1.3
per share . . . .	35.9¢	35.3¢	+ 1.7
Capital Expenditures . .	7,492,989	7,774,129	— 3.6
<b>PIPE LINE OPERATION</b>			
Deliveries - barrels per day . . . .	164,937	155,469	+ 6.1
<b>PRODUCTION</b>			
Crude Oil & Gas Liquids - net barrels .	951,525	964,053	— 1.3
Natural Gas Sales - billion cubic feet . .	8,505,284	5,557,993	+ 53.0
Oil & Equivalent Gas - barrels per day . . .	3,772	3,403	+ 10.8
<b>LAND</b>			
Gross - acres . . . .	3,359,023	3,106,737	+ 8.1
Net - acres . . . .	1,169,304	1,571,307	— 26.6
<b>WELLS DRILLED</b>			
Gross . . . . .	68	50	+ 36.0
Net . . . . .	11.8	10.7	+ 10.3

## REPORT OF THE DIRECTORS

The Board of Directors is pleased to present herewith the Seventeenth Annual Report on the operations of the Company.

At an Extraordinary General Meeting on March 25, 1971, the shareholders of the Company approved an Amalgamation Agreement dated March 12, 1971, entered into by Pembina Pipe Line Ltd. and Pembina Products Pipe Line Ltd. The amalgamation became effective March 31, 1971, and subsequently the Company selected a fiscal year end of December 31. The financial statements included in the report cover the nine month period ended December 31, 1971.

Gross revenue for the nine month period was \$10,121,055 compared to \$9,068,204 for the similar period in 1970, an increase of 11.6%. Net funds from operations amounted to \$6,045,280, up 5.3% compared to \$5,742,788 for the same period in 1970. Higher pipe line system throughputs and increased gas production are mainly responsible for the higher revenues.

Operating expenses (including exploration) for the nine month period were up 34.5% to \$3,956,515, compared to \$2,943,480 in the latter three-quarters of 1970. This results in net income of \$2,554,137 (27.7¢ per share) compared to \$2,490,332 (26.8¢ per share) in the same period of 1970.

For the convenience of the shareholders, the Financial and Operating Highlights, the Ten Year Summary and all other charts and tables throughout the report have been restated on a calendar year basis for the years 1970 and 1971.

Average daily pipe line system throughputs increased about six percent to 164,937 barrels per day compared to 155,469 during the 1970 calendar year. Crude oil production was relatively unchanged but the average daily gas production was 53% higher at 23.30 million cubic feet per day.

Petroleum exploration in Canada continued to mature in 1971 with more companies expanding exploration operations from the Western Canada Basin to the Northwest Territories, Arctic Islands, Eastcoast Offshore and St. Lawrence Lowlands. By early 1972 the winter drilling program in the Mackenzie Delta and Arctic Islands had yielded substantial encouragement. Additional discoveries around the Mackenzie Delta have confirmed its importance as a new basin with potential for large reserves. Similarly, in the Arctic Islands, a gas discovery at Kristoffer Bay on Ellef Ringnes Island along with the Arctic's first show of oil, at the Panarctic Romulus well on Ellesmere Island, were announced. Your Company owns a 20% interest in several small permits in the general vicinity of the Romulus well.

A period of unsettled conditions characterized the oil and gas industry during the year just concluded. Earnings from oil production improved during 1971 as a result of the twenty-five cents per barrel price increase of December, 1970 (the first in ten years). Furthermore, long awaited increases in the field price of natural gas are now being realized. In a recent arbitration award on price re-negotiation, a producer received an increase of about 25%. On the other hand, industry remains apprehensive over rulings of the National Energy Board, implementation of a new income tax act and the possibility of unfavourable legislation in the fields of competition, labour and foreign ownership. In addition, an Alberta Legislative Committee will convene shortly to hear representation on the advisability of increasing royalties.

In summary, the low wellhead price of oil and gas is our most serious problem. Industry is currently unable to generate sufficient revenue to finance the development of energy resources that will be required in the next decade.

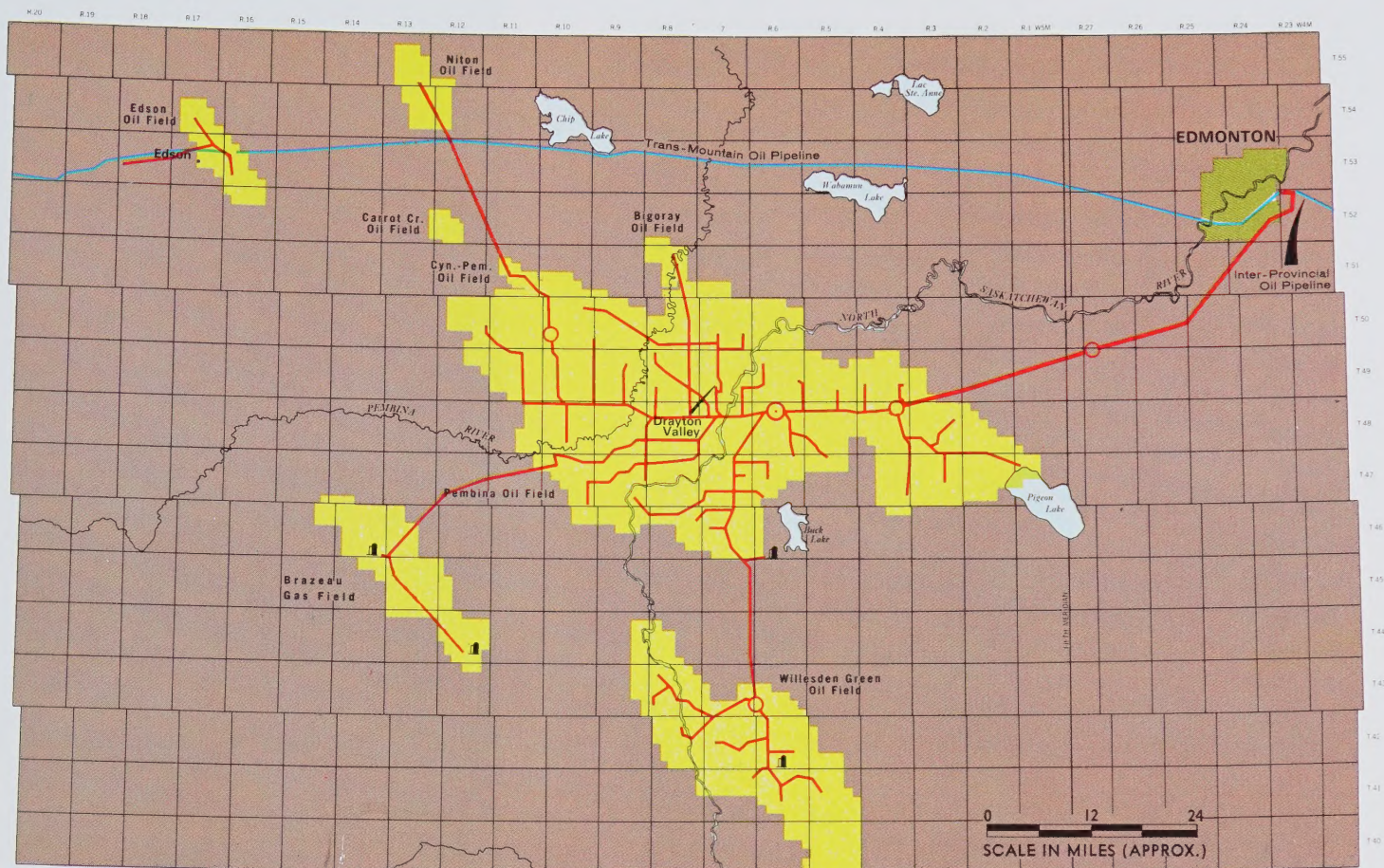
On December 1, 1971, Mr. J. A. McDonald resigned as President and General Manager of the Company and was replaced by Mr. R. J. White, formerly Senior Vice-President of Aquitaine Company of Canada Ltd. Mr. McDonald has accepted a new position with Loram Ltd. and continues as a Director of the Company.

ON BEHALF OF THE BOARD OF DIRECTORS



President

Calgary, Alberta  
March 17, 1972



## PIPE LINE RECEIPTS

(Barrels)

Fields	1971	1970
Pembina . . . . .	54,645,000	51,766,000
Willesden Green . . . . .	3,571,000	3,104,000
Bigoray . . . . .	196,000	196,000
Cyn Pem . . . . .	510,000	512,000
Edson . . . . .	209,000	221,000
Niton . . . . .	338,000	347,000
Brazeau (condensate) . . . . .	405,000	348,000
Nordeg (condensate) . . . . .	195,000	179,000
Peco . . . . .	66,000	59,000
	<u>60,135,000</u>	<u>56,732,000</u>

## PIPE LINE FACILITIES

Company Facilities	
Pump Station	
Booster Station	
Gas Plant	
Connected Carrier	

## PIPE LINE OPERATIONS

The continued increase in demand for Alberta crude oil resulted in average daily throughputs via our system during calendar year 1971 of 164,937 barrels, compared with 155,469 barrels per day during calendar year 1970. In the peak month of March, 1971, throughputs averaged 171,058 barrels per day.

This increase in throughput was met to a great extent by facility additions made during 1970. Construction during 1971 was limited to the addition of a total of ten miles of three inch, four inch and six inch laterals at several locations within the Pembina field, reflecting the maturity in productive capacity which has been attained in several of the fields served by our system.

## OIL AND GAS OPERATIONS

### PRODUCTION

Crude oil production for the year ended December 31, 1971 averaged 2,607 barrels per day, down slightly from the 2,641 barrels per day recorded for the same period last year.

Natural gas production during the calendar year 1971 averaged 23.30 million cubic feet per day, a substantial increase compared to the 1970 average production of 15.23 million cubic feet per day. This increase is attributed principally to the purchase of various working interests in the Ghost Pine Unit made in December, 1970 and March, 1971, and to a lesser extent to increased sales in the Medicine Hat area.

Over-all, natural gas expressed as equivalent barrels per day (based on relative net operating revenue of gas and oil) combined with average daily oil production rose from 3,403 in 1970 to 3,772 barrels per day in 1971.

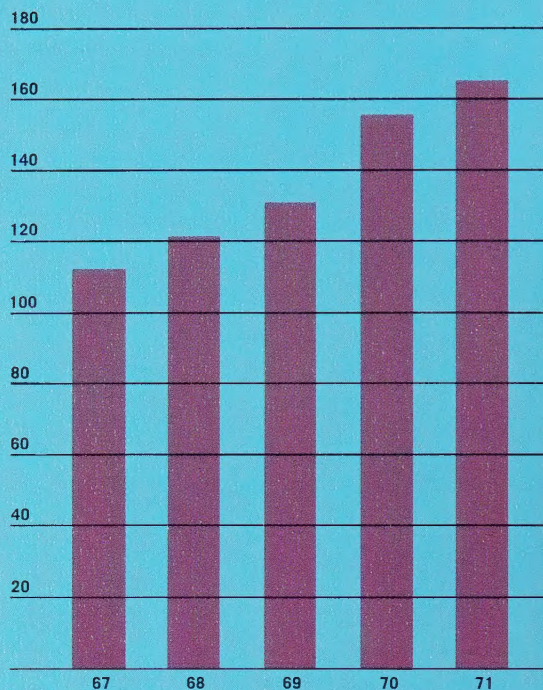
### SUMMARY OF PRODUCTION

For the Year Ended December 31, 1971

	1971 Bbls	1970 Bbls
<b>Oil</b>		
Alberta . . . . .	643,683	628,784
Saskatchewan . . . . .	209,945	235,294
British Columbia . . . . .	97,897	99,975
	<u>951,525</u>	<u>964,053</u>
	<b>Mcf</b>	<b>Mcf</b>
<b>Gas</b>		
Alberta . . . . .	8,081,904	5,113,598
British Columbia . . . . .	423,380	444,395
	<u>8,505,284</u>	<u>5,557,993</u>

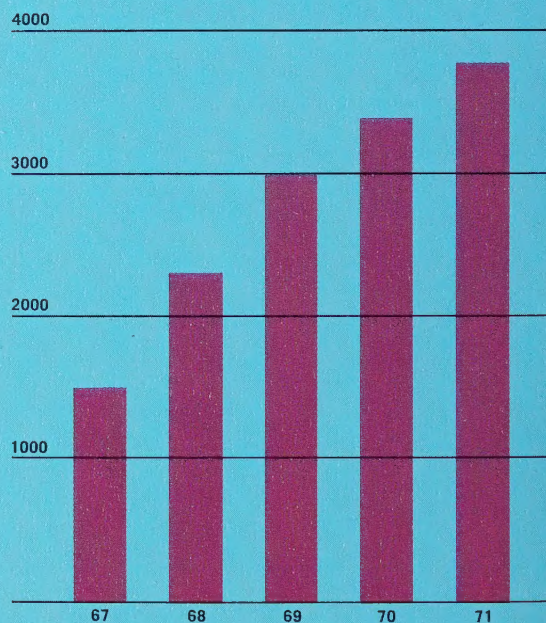
## AVERAGE PIPE LINE DELIVERIES

Thousands of Barrels Per Day  
200



## PRODUCTION

Oil and Gas Equivalent  
Barrels Per Day  
5000





## EXPLORATION

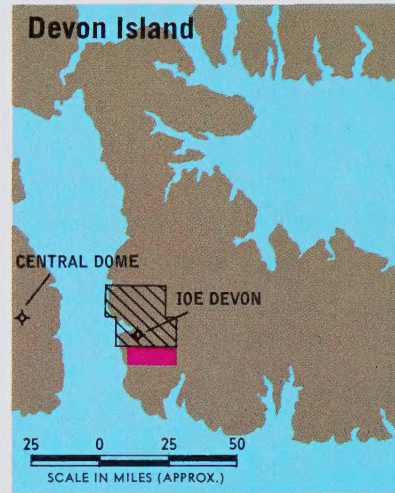
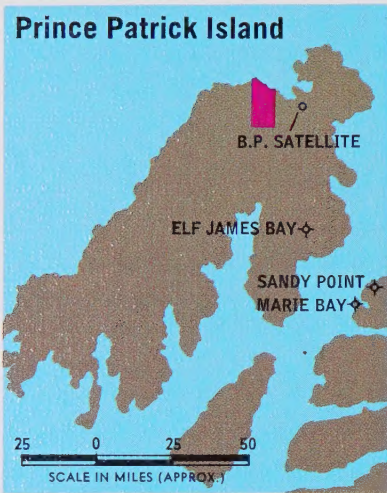
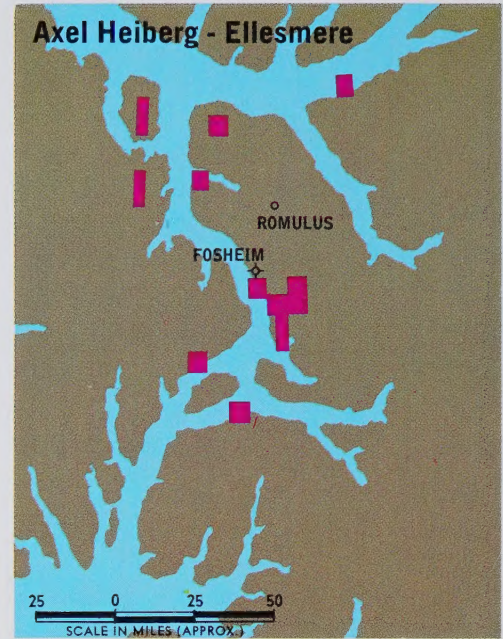
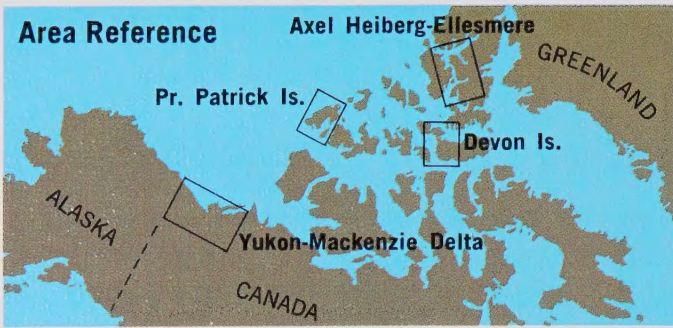
In late 1971 and early 1972 exploration activity increased appreciably in Alberta, Northeast B.C., Yukon Territory, the Northwest Territories and the Arctic. Your Company is represented in all of these areas and has participated actively in geophysical programs and other preliminary exploration. Many of these projects have advanced to the drilling stage resulting in numerous exploratory tests in 1971 and early 1972.

In Alberta, exploration continued actively in the west central part of the Province. Your Company participated to the extent of 50% in a successful Mississippian gas well, Home Pembina Sunchild 6-26-43-11 W5 and 25% in Amoco et al A-1 Lamoral 10-34-41-10 W5, an unsuccessful test. Both are located in the Brazeau South area.

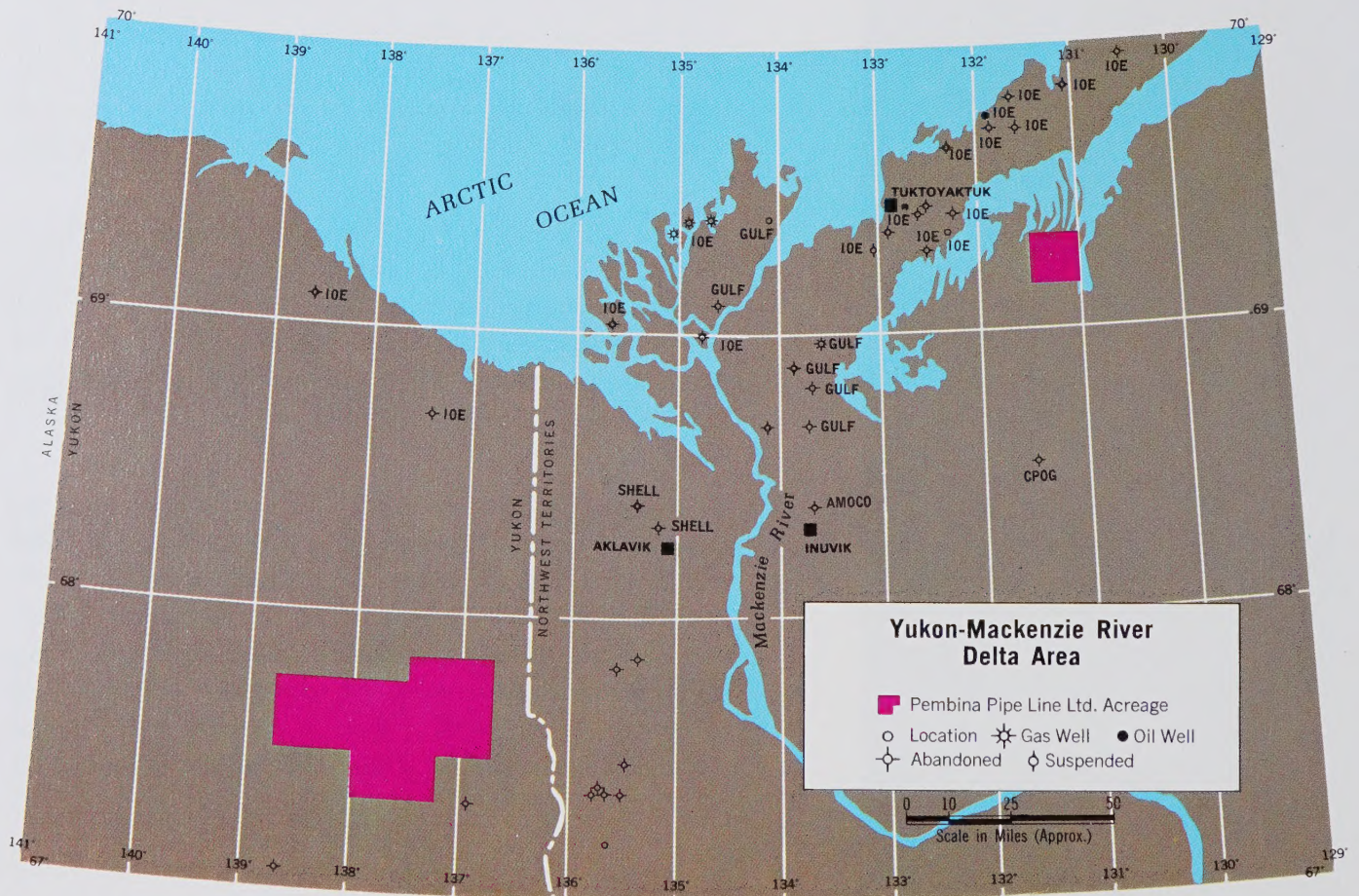
In Northeast B.C., deep tests were drilled in the Cache Creek and Dawson Creek areas. At Dawson Creek, Home et al Farmington 6-18-80-15 W6 was a dry hole while at Cache Creek, Home et al Attachie 7-20-84-22 W6 well is a dual zone gas discovery from the Baldonnell and Kiskatinaw formations (see map). Pembina's interest in the well and adjacent lands is 16⅓% and ranges up to 50% in other lands nearby. Subsequently, a total of 64,371 gross acres have been acquired. Further drilling is planned to evaluate this discovery.

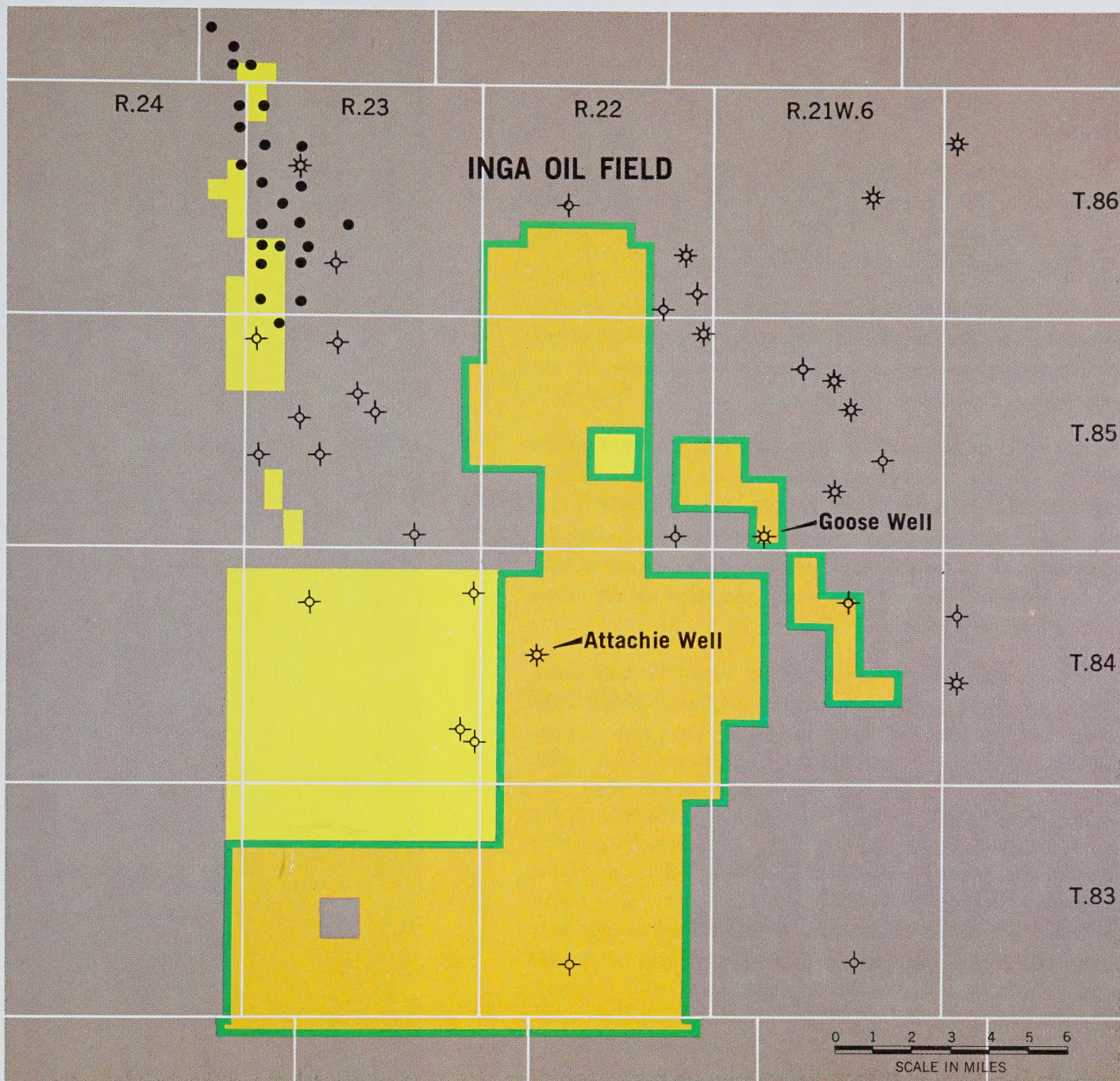
Geophysical work is in progress on the Company's lands in the Bell River area of the Yukon Territory and the Eskimo Lakes district of the Mackenzie Delta. Land interests vary from 25% to 33⅓% on the 806,000 acre Bell River block to the 100% interest on the 90,864 acre Eskimo Lakes block, located 35 miles south and east of the recent Imperial discoveries.

Panarctic Oils Ltd. completed their farmin obligations and have now earned an 80% interest in your Company's 660,890 acre land spread in the Arctic Islands. On Ellesmere Island, the Panarctic Fosheim N-27 well, located six miles north of Pembina lands, was drilled to 14,022 feet and abandoned. A second test, Panarctic Romulus C-42 has been announced as the first well in the Arctic Islands to discover crude oil and is drilling ahead to evaluate deeper zones. This drillsite is located 25



- Pembina Pipe Line Ltd. Acreage
- Location
- Abandoned





### Cache Creek Area British Columbia

- Acreage Acquired 1971
- Acreage Acquired Prior Years
- Location
- Oil Well
- Gas Well
- Abandoned
- Suspended

miles to the north and will serve as an evaluating well in an area in which Pembina has additional holdings. On Prince Patrick Island, Company lands are offset eight miles to the east by the presently drilling BP et al Panarctic Satellite F-58 well. The currently drilling IOE Panarctic et al Devon E-45 well is located on farmin lands from Panarctic which adjoin our acreage to the south. Pembina is participating in this drilling program and will earn a 5% net working interest in 328,611 gross acres.

## DRILLING

Your Company participated in the drilling of 48 development wells and 20 exploratory wells during the twelve month period ending December 31, 1971. Four of the exploratory tests were drilled at no cost to the Company.

Of the 48 development wells, 32 were completed as oilwells, eight as gas wells and eight wells were abandoned. Two of the 20 exploratory wells were completed as oilwells, two as gas wells with the remaining 16 tests abandoned.

Infill drilling accounted for the majority of the development oilwells - in B.C., Boundary Lake Unit #1, 16 oilwells and Inga Unit #2, four oilwells; in Alberta, Mitsue Unit #1, five oilwells and Medicine River Unit #3, one oilwell; in Saskatchewan, one well in the Elmore Frobisher Beds Voluntary Unit #1. In addition, four oilwells were completed in the Butte area of Saskatchewan.

Five gas wells were completed in the Seven Persons Creek Unit in the Medicine Hat area, one in the Ghost Pine Unit, one in the Sunchild area and one in the Saddle Lake area of Central Alberta.

The two exploratory tests completed as oilwells were in the N. Instow - Bench section of the Butte area. The two gas discoveries are located in Northeast British Columbia, Home Pembina Attachie 7-20-84-22 W6 in the South Cache Creek block and Westcoast et al Goose 6-5-85-21 W6 in the Bear Flat block. Your Company has a 16 $\frac{2}{3}$ % interest in the Attachie well and 50% in the Goose well.

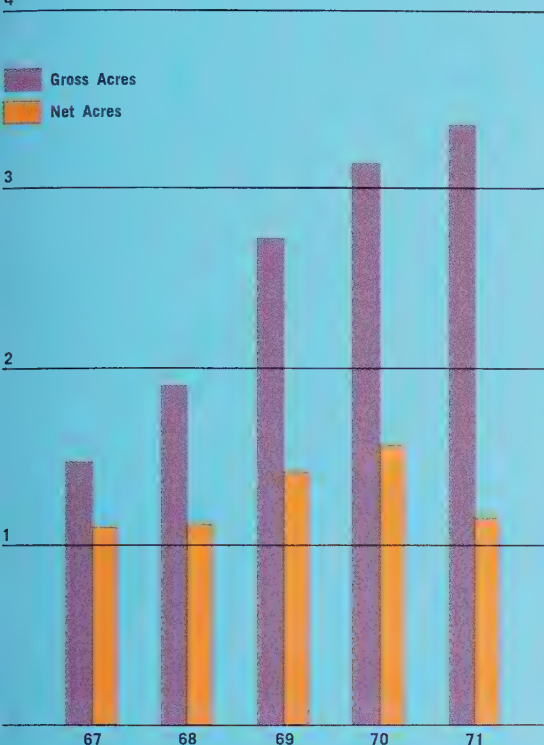
## SUMMARY OF WELLS DRILLED IN 1971

	<u>Oil</u>	<u>Gas</u>	<u>Dry</u>	<u>Total</u>
<b>Exploratory</b>				
Net . . . . .	2	2	16	20
Gross . . . . .	0.4	0.7	3.6	4.7
<b>Development</b>				
Gross . . . . .	32	8	8	48
Net . . . . .	<u>1.6</u>	<u>3.8</u>	<u>1.7</u>	<u>7.1</u>
<b>Totals</b>				
Gross . . . . .	34	10	24	68
Net . . . . .	2.0	4.5	5.3	11.8



## ACREAGE

Millions of Acres



## SUMMARY OF ACREAGE

	1971	
	Gross	Net
Alberta . . . . .	837,815	324,773
Saskatchewan . . . . .	95,784	30,696
British Columbia . . . . .	867,630	340,415
Northwest Territories and Yukon . . . . .	896,904	341,242
Arctic Islands . . . . .	660,890	132,178
	<u>3,359,023</u>	<u>1,169,304</u>
	1970	
	Gross	Net
Alberta . . . . .	716,405	288,872
Saskatchewan . . . . .	102,263	32,596
British Columbia . . . . .	730,275	247,707
Northwest Territories and Yukon . . . . .	896,904	341,242
Arctic Islands . . . . .	660,890	660,890
	<u>3,106,737</u>	<u>1,571,307</u>

## LAND

During 1971, gross acres increased by 252,286 acres to 3,359,023; conversely, net acres were reduced by 402,003 acres to 1,169,304. The newly acquired lands are located in British Columbia, Alberta and Saskatchewan. Gross land holdings in the Arctic Islands are being increased through participation in selective drilling programs; net land holdings have been reduced by virtue of Panarctic Oil Ltd. having earned an 80% interest in 660,890 acres of permit lands.

## FINANCIAL

Your Company purchased a sub-lease in a producing zone in the Rainbow area late in 1971. This purchase will provide a substantial increase in the funds generated by the Company over the next three years, however, the effect on net income will not be significant.

On March 31, 1971, the Company increased the net book value of the pipe line assets by reducing the accumulated depreciation. This necessitated restating the earnings for the nine months ending December 31, 1970 to reflect the depreciation expense and provision for future year's income taxes on a basis comparable to 1971.

For the convenience of shareholders, we have included the financial highlights for the twelve months ended December 31, 1971 and comparative figures for 1970. The gross revenue, net funds from operations, net earnings and capital expenditures as reported for the twelve months ended December 31, 1970 and 1971 are unaudited. Where applicable these figures have been restated to reflect changes in depreciation expense and provision for future year's income taxes and the per share figures are stated in terms of the capital structure of the Company subsequent to amalgamation.

**PEMBINA PIPE LINE LTD.**  
and Subsidiary Companies

**CONSOLIDATED STATEMENT OF SOURCE  
AND APPLICATION OF FUNDS**

NINE MONTHS ENDED DECEMBER 31, 1971

(with comparative figures for 1970)

	<u>1971</u>	<u>(Unaudited) 1970</u>
<b>SOURCE OF FUNDS:</b>		
Funds derived from current operations before charges for depreciation, depletion, amortization, abandonments and provision for deferred income taxes . . . . .	\$ 6,045,280	\$ 5,742,788
Production loan less amount shown as current liability . . . . .	6,122,327	800,000
Other items . . . . .	—	22,894
	<u>12,167,607</u>	<u>6,565,682</u>
 <b>APPLICATION OF FUNDS:</b>		
Net additions to carrier property, land, leases, wells and other equipment . . . . .	6,019,237	6,367,708
Addition to operating oil supply . . . . .	—	91,579
Sinking fund payments . . . . .	635,000	751,500
Production loan payments . . . . .	700,400	876,600
Dividends on first preferred shares . . . . .	24,938	32,958
Dividends on second preferred shares . . . . .	224,779	—
Taxes paid under Section 105C of the Income Tax Act . . . . .	799,497	—
Other items . . . . .	35,339	—
	<u>8,439,190</u>	<u>8,120,345</u>
Increase (Decrease) in working capital . . . . .	<u>\$ 3,728,417</u>	<u>\$(1,554,663)</u>
Working capital surplus (deficit) . . . . .	<u>\$ 9,283</u>	<u>\$(3,620,077)</u>

See accompanying notes to financial statements

**PEMBINA PIPE LINE LTD.**  
and Subsidiary Companies

**CONSOLIDATED STATEMENT OF INCOME**

NINE MONTHS ENDED DECEMBER 31, 1971

(with comparative figures for 1970)

	<u>1971</u>	<u>(Unaudited) 1970</u>
Revenue:		
Revenue from operations . . . . .	\$10,091,397	\$ 9,034,107
Income from investments . . . . .	29,658	34,097
	<u>10,121,055</u>	<u>9,068,204</u>
Expenses:		
Operating, including exploration, non-productive drilling and abandonments . . . . .	3,956,515	2,943,480
Interest and discount on long term debt . . . . .	362,302	393,535
Other interest, net . . . . .	54,976	33,241
Amortization of goodwill . . . . .	20,200	17,880
Depreciation and depletion . . . . .	2,078,925	1,901,736
	<u>6,472,918</u>	<u>5,289,872</u>
Net income before the following . . . . .	3,648,137	3,778,332
Provision for future years' income taxes (Note 4) . . . . .	1,094,000	1,288,000
Net income . . . . .	<u>\$ 2,554,137</u>	<u>\$ 2,490,332</u>
Net income per common share . . . . .	<u>27.7¢</u>	<u>26.8¢</u>

See accompanying notes to financial statements

**PEMBINA PIPE LINE LTD.**  
and Subsidiary Companies

**CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1971**

**ASSETS**

**FIXED ASSETS, AT COST:**

Investment in carrier property, land, leases, wells and other equipment . . . . .	\$73,640,267
Less accumulated depreciation, depletion and amortization . . . . .	21,155,636
	<u>52,484,631</u>
Operating oil supply . . . . .	577,151
	<u>53,061,782</u>

**INVESTMENTS, AT COST:**

Bonds and shares of other companies . . . . .	<u>243,619</u>
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**CURRENT ASSETS:**

Cash . . . . .	65,414
Short term deposit receipts, at cost . . . . .	950,000
Accounts receivable	
Trade accounts . . . . .	1,228,148
Other . . . . .	242,056
Funds held by trustee for redemption of	
Series "A" debentures . . . . .	170,500
Funds held by trustee – other . . . . .	2,001
Materials and supplies, at cost . . . . .	24,911
Deposits and prepaid expenses . . . . .	77,506
	<u>2,760,536</u>


**DEFERRED CHARGES:**

Unamortized discount on funded debt . . . . .	6,149
Organization expenses . . . . .	39,044
	<u>45,193</u>

**GOODWILL AND OTHER INTANGIBLES,**

less amounts written off . . . . .	374,927
	<u>\$56,486,057</u>

Approved on behalf of the Board:

 , Director

 , Director

## LIABILITIES

### LONG TERM DEBT:

Funded debt less current maturities (Note 2) . . . . .	\$ 1,056,500
Production loans less current portion (Note 3) . . . . .	8,769,200
	<hr/>
	9,825,700

### CURRENT LIABILITIES:

Accounts payable and accrued charges . . . . .	1,101,735
Interest accrued on funded debt . . . . .	13,568
Sinking fund payments due within one year, less bonds, debentures, and preferred shares held by the company . . . . .	635,950
Production loan payments due within one year . . . . .	1,000,000
	<hr/>
	2,751,253

DEFERRED TAXES ON INCOME (Note 4) . . . . .	<hr/>
	1,143,000

## SHAREHOLDERS' EQUITY

### CAPITAL STOCK: (Note 1)

First Preferred Shares (Note 5) . . . . .	600,000
Second Preferred Shares (Note 5) . . . . .	4,995,090

#### Common Shares:

Class "A" non-voting shares of a par value of \$4.15 each

Authorized: 12,000,000 shares . . . . .	
Issued: 6,660,128 shares . . . . .	27,639,531

Class "B" voting shares of a par value of \$4.15 each

Authorized: 4,000,000 shares . . . . .	
Issued: 1,665,032 shares . . . . .	6,909,883
	<hr/>
	40,144,504

CAPITAL REDEMPTION RESERVE FUND . . . . .	125,000
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RETAINED EARNINGS (Note 1) . . . . .	2,496,600
	<hr/>
	42,766,104
	<hr/>
	\$56,486,057

See accompanying notes to financial statements

**PEMBINA PIPE LINE LTD.**  
and Subsidiary Companies

## CONSOLIDATED STATEMENT OF RETAINED EARNINGS

NINE MONTHS ENDED DECEMBER 31, 1971

Balance April 1, 1971 (Note 1) . . . . .	\$ 1,116,677
Less taxes paid under Section 105C of the Income Tax Act . . . . .	799,497
	<u>317,180</u>
Add net income for the period . . . . .	2,554,137
	<u>2,871,317</u>
 Deduct:	
Dividends paid on 5% cumulative redeemable First Preferred Shares . . . . .	24,938
Dividends payable on 6% cumulative redeemable Series "A" Second Preferred Shares . . . . .	224,779
Transfer to capital redemption reserve fund re redemption of First Preferred Shares . . . . .	125,000
	<u>374,717</u>
Balance December 31, 1971 . . . . .	<u><u>\$ 2,496,600</u></u>

## AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Pembina Pipe Line Ltd. and its subsidiaries as of December 31, 1971 and the consolidated statements of income, retained earnings and source and application of funds for the nine months then ended. Our examination included a general review of the accounting procedures and such test of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies at December 31, 1971 and the results of their operations and the source and application of their funds for the nine months then ended, in accordance with generally accepted accounting principles.

Calgary, Alberta  
March 6, 1972

*Peat, Marwick, Mitchell & Co.*  
Chartered Accountants.

**PEMBINA PIPE LINE LTD.**  
and Subsidiary Companies

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1971

### 1. Amalgamation

Effective March 31, 1971 Pembina Pipe Line Ltd. amalgamated with its wholly-owned subsidiary Pembina Products Pipe Line Ltd. Financial results of the newly formed Amalgamated Company, Pembina Pipe Line Ltd., are presented for the nine months ended December 31, 1971. Unaudited comparative statements of Income and Source and Application of Funds of the predecessor companies are presented on a basis consistent with the audited statements of the Amalgamated Company for the nine months ended December 31, 1971.

Upon amalgamation the 17,000 First Preferred Shares and the 1,665,032 Common Shares of Pembina Pipe Line Ltd. were exchanged for share capital in the Amalgamated Company. A summary of the shares issued and a reconciliation of the opening balance of Retained Earnings of the Amalgamated Company is as follows:

Capital, retained earnings and surplus of the predecessor companies as of March 31, 1971 . . . . .	\$27,309,927
Increase in net book value of pipe line assets . . . . .	4,328,651
Transfer of deferred taxes to paid up capital . . . . .	9,747,603
	<u>41,386,181</u>

Capital stock issued upon amalgamation:

5%, cumulative redeemable first preferred shares of par value of \$50 each. Issued: 17,000 shares . . . . .	725,000
6% cumulative redeemable Series "A" second preferred shares of a par value of \$30 each. Issued: 166,503 shares . . . . .	4,995,090
Class A non-voting common shares of a par value of \$4.15 each. Issued: 6,660,128 shares . . . . .	27,639,531
Class B voting common shares of a par value of \$4.15 each. Issued: 1,665,032 shares . . . . .	6,909,883
	<u>40,269,504</u>

Retained earnings following amalgamation . . . . .	<u>\$ 1,116,677</u>
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### 2. Funded Debt, subject to sinking fund requirements:

First Mortgage Bonds:	December 31, 1971
4½% Series "B" due October 1, 1973 . . . . .	\$ 377,000
6% Series "C" due December 1, 1974 . . . . .	554,000
Debentures:	
5% Series "A" due December 1, 1972 . . . . .	307,000
5% Series "B" due October 1, 1974 . . . . .	497,000
6% Series "C" due December 1, 1975 . . . . .	42,500
	<u>1,777,500</u>
Less securities acquired for current sinking fund payments . . . . .	103,500
	<u>1,674,000</u>
Less securities required for current sinking fund payments (current liability) . . . . .	617,500
	<u>\$ 1,056,500</u>

The aggregate payments required on the first mortgage bonds and debentures in each of the next five years are as follows: \$617,500 in 1972; \$471,000 in 1973; \$543,000 in 1974; \$42,500 in 1975 and \$Nil in 1976.

The trust deeds securing the first mortgage bonds and debentures place certain restrictions upon the payment of dividends on the common shares and Series "A" second preferred shares of the Company and upon the redemption or repayment of any capital stock.

3. **Production Loans:**

Production loans consist of bank loans in the amount of \$9,769,200 which mature in 1981. The required payments in each of the next five years is \$1,000,000. These loans are secured by certain of the Company's interests in petroleum and natural gas properties and an assignment of the interest in the gas purchase contracts applicable to the pledged natural gas interests.

4. **Income Taxes:**

For income tax purposes the company is entitled to claim drilling, exploration and lease acquisition costs and tax depreciation in amounts which may exceed the related depletion and depreciation provisions reflected in the accounts. As at the commencement of business on April 1, 1971 the Company did not have any drilling, exploration and lease acquisition costs remaining to be carried forward and applied against future taxable income and the undepreciated capital cost of the depreciable assets was \$15,829,000. Tax deferrals for all timing differences between taxable income and reported income since the date of amalgamation April 1, 1971 have been treated in the accounts as a charge against income and a credit to deferred taxes on income.

5. **Preferred Shares:**

First Preferred Shares:	December 31, 1971
5% Cumulative Redeemable First Preferred Shares of a par value of \$50 each.	
Authorized: 17,000 shares	
Issued: 17,000 shares . . . . .	\$ 850,000
Less redeemed: 2,500 shares . . . . .	125,000
	<hr/>
	725,000
Less sinking fund payment due within one year . . . . .	125,000
	<hr/>
	\$ 600,000

So long as any of the First Preferred Shares are outstanding, the Company shall, not later than April 1st in each year up to and including 1972, set aside as a sinking fund, an amount sufficient to retire \$125,000 par value and thereafter a sum sufficient to retire \$300,000 par value of the First Preferred Shares in each year, until they have all been retired. The Company may at its option, upon giving thirty days notice, redeem at any time the whole or any part of the First Preferred Shares at a price consisting of the par value thereof, plus a premium of one-half of one percent if redeemed on or before December 1, 1972, and thereafter there will be no premium.

Second Preferred Shares:	December 31, 1971
Second Preferred Shares of a par value of \$30 each.	
Authorized: 1,100,000 shares	
Issued and outstanding: 166,503 6% cumulative redeemable Series "A" Second Preferred Shares . . . . .	\$ 4,995,090

The Company shall not later than April 1st in each year, commencing with the year following the year wherein the last of the outstanding First Preferred Shares shall have been retired, set aside as a sinking fund to be applied in the retirement of the Series "A" Second Preferred Shares a sum sufficient to retire \$300,000 par value of the Series "A" Second Preferred Shares in each year until they have been retired. After all of the First Preferred Shares have been retired the Company may upon giving thirty days notice redeem at any time the whole or any part of the Series "A" Second Preferred Shares at the par value.

6. **Basis of Consolidation:**

Included in the consolidated statements are the accounts of all subsidiary companies, each of which is wholly-owned.

7. **Remuneration of Directors and Officers:**

The remuneration paid to directors and senior officers of the companies for the nine months ended December 31, 1971 was \$164,825.

# TEN YEAR REVIEW

## FINANCIAL (in thousands of dollars)

	<u>1971*</u>	<u>1970*</u>	<u>1969</u>	<u>1968</u>	<u>1967</u>	<u>1966</u>	<u>1965</u>	<u>1964</u>	<u>1963</u>	<u>1962</u>
Gross revenue . . . .	\$ 13,703	12,208	10,146	8,950	8,109	7,478	7,455	7,073	6,290	6,397
Net flow of funds from operations .	\$ 7,825	7,529	6,348	5,837	5,373	4,666	4,842	4,808	3,055	2,857
per common share** . . . .	\$ .91	.87	3.78	3.47	3.19	2.76	2.94	2.94	1.85	1.72
Net income*** . . . .	\$ 3,181	3,143	2,518	1,735	1,478	1,428	1,472	1,544	1,370	1,359
per common share ** . . . .	\$ .35	.34	1.48	1.01	.85	.82	.86	.91	.80	.79
Capital expenditures	\$ 7,493	7,774	3,034	9,867	3,452	3,540	5,465	4,307	1,389	1,245
Investment in fixed assets at year end - at cost . . . .	\$ 74,217	67,142	59,349	56,475	47,767	45,121	41,694	36,345	32,223	30,897
Long term debt less current maturities at year end . . . .	\$ 9,826	5,121	6,787	9,041	7,091	8,776	10,047	9,308	9,574	10,829

## OPERATIONS

### Pipe Line:

Average deliveries - barrels per day . .	164,937	155,469	130,590	120,970	117,120	114,430	118,270	120,850	116,740	113,580
Miles of line built in year . . . .	10	50	54	6	4	12	39	37	32	51
Miles of line system at year end . . . .	1,045	1,035	985	931	925	921	909	870	833	814

### Oil and Gas:

Production - Crude oil and natural gas liquids - net barrels . . . .	951,525	964,053	825,700	591,900	300,000	201,300	122,100	14,000		
Natural gas sales - billion cubic feet .	8.51	5.56	5.31	4.98	5.11	4.21	3.77	1.49		
Oil and equivalent gas - barrels per day . .	3,772	3,403	3,000	2,300	1,500	1,100	850	250		
Acreage at year end: Gross - acres . . . .	3,359,023	3,106,737	2,736,709	1,868,979	1,470,659	1,153,146	927,811	1,364,603	1,318,453	1,294,540
Net - acres . . . .	1,169,304	1,571,307	1,418,608	1,117,371	1,173,432	892,979	819,957	1,033,740	1,017,578	1,001,553
Wells drilled - gross	68	50	53	34	13	15	15			
Wells net at year end:										
Oil . . . . .	64	62	59	55	30	23	17	10		
Gas . . . . .	63	58	53	51	49	46	39	8	6	

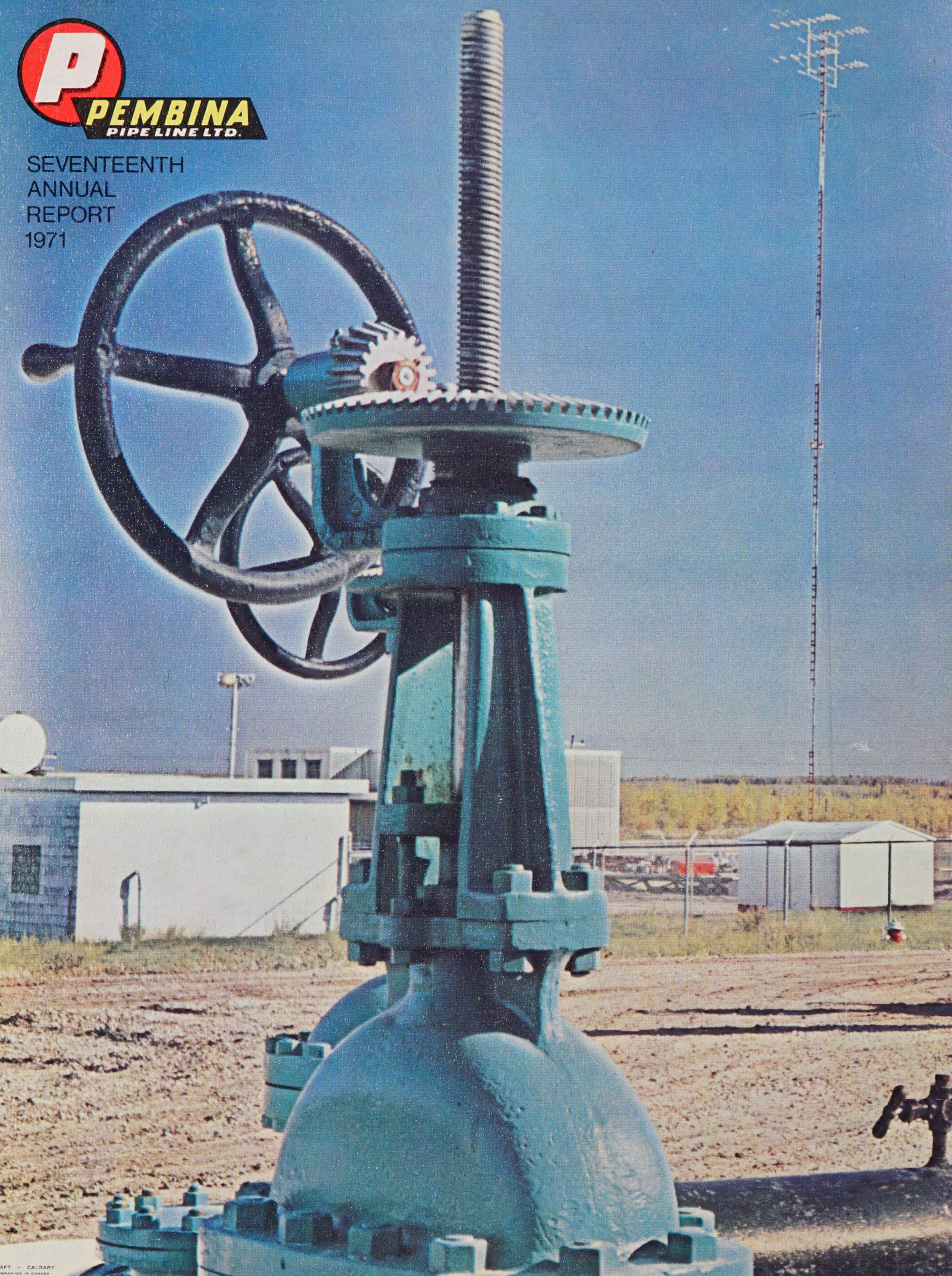
\* The information provided for 1971 and 1970 is based on twelve months ending December 31, 1971, whereas the information pertaining to 1969 and prior years is based on a twelve month period ending November 30.

\*\* The 1970 and 1971 net income and net flow of funds from operations per common share are based on the share capital outstanding after giving effect to the amalgamation at March 31, 1971.

\*\*\*In 1968 a change was made in the method of accounting for deferred income tax credits.



SEVENTEENTH  
ANNUAL  
REPORT  
1971



AR13



**INTERIM  
REPORT  
OF  
PEMBINA PIPE LINE LTD.**

**FOR SIX MONTHS ENDED  
SEPTEMBER 30, 1971**



*300 - 9th AVENUE S.W., CALGARY, ALBERTA*

# PEMBINA PIPE LINE LTD.

and Subsidiary Companies

## To The Shareholders:

This Interim Report reflects the earnings of your Company for the six months from April 1, 1971 to September 30, 1971. The consolidated net earnings were \$1,366,000 or 14.4¢ per share after allowing for dividends on the First and Second Preferred Shares. Net earnings of the predecessor companies for the same period in 1970 calculated on a comparative basis were \$1,254,000 or 13.0¢ per share. Net flow of funds from operations were \$2,810,000 or 31.7¢ per share as compared to \$2,741,000 or 30.8¢ per share in 1970.

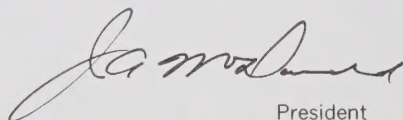
Pipe line throughputs during the first six months of this fiscal period averaged 161,547 barrels per day, approximately 9% more than in the same period last year.

Crude oil and natural gas production averaged 2,535 barrels per day and 22.38 million cubic feet per day respectively. Comparative figures for the same period in 1970 were 2,516 barrels and 11.55 million cubic feet.

During the six month period to September 30, 1971, the Company participated in the drilling of 5 exploratory and 19 development wells resulting in the completion of 12 oil wells and 6 gas wells. Net additions to acreage holdings in the six months were 62,406 gross acres and 21,008 net acres.

The Directors have declared a dividend of \$1.35 for the three quarters ending on January 1, 1972 on the Series "A" Second Preferred Shares payable on January 1, 1972 to Shareholders of record at the close of business on December 17, 1971.

It is suggested that all Shareholders who have not exchanged their common shares, following the amalgamation on March 31, 1971, into Class A and Class B Common shares and Series "A" Second Preferred shares should do so prior to December 17, 1971.



President

Calgary, Alberta  
November 25th, 1971

## CONSOLIDATED STATEMENT OF EARNINGS

Six Months Ended  
September 30  
(unaudited)

	1971	1970
Income:		
Revenue from operations	\$6,698,000	5,751,000
Income from investments	<u>20,000</u>	<u>30,000</u>
	6,718,000	5,781,000
Expenses:		
Operating, including exploration, non-productive drilling and abandonments .....	2,285,000	2,031,000
Interest and discount on long term debt .....	211,000	271,000
Other interest — net .....	67,000	21,000
Amortization of good will .....	13,000	11,000
Depreciation and depletion ....	<u>1,453,000</u>	<u>1,152,000</u>
	4,029,000	3,486,000
Net earnings before income taxes .....	2,689,000	2,295,000
Provision for income taxes .....	<u>1,323,000</u>	<u>1,041,000</u>
Net earnings .....	<u>\$1,366,000</u>	<u>1,254,000</u>
Net earnings per common share .....	<u>14.4¢</u>	<u>13.0¢</u>

## CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Source of funds:		
Funds derived from current operations before charges for depreciation, depletion, amortization, abandonments and provision for deferred income taxes .....	\$2,810,000	2,741,000
Production loan less amount shown as current liability .....	4,053,000	—
Other items .....	<u>—</u>	<u>23,000</u>
	6,863,000	2,764,000
Application of funds:		
Net additions to carrier property, land, leases, wells and other equipment .....	932,000	2,305,000
Sinking fund payments .....	148,000	166,000
Production loan payments .....	553,000	584,000
Dividends on first preferred shares .....	17,000	22,000
Taxes paid under Section 105C of the Income Tax Act .....	799,000	—
Other items .....	<u>35,000</u>	<u>—</u>
	2,484,000	3,077,000
Increase (Decrease) in working capital .....	<u>\$4,379,000</u>	<u>(313,000)</u>